

# ULI DEVELOPMENT CASE STUDIES

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## The Carneros Inn

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### Napa, California

Project Type: **Resort**

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### PROJECT TYPE

The first resort constructed in Napa County, California, in over 20 years, the 27-acre (10.9-ha) Carneros Inn is the result of a decade-long planning and outreach initiative between the developer, Carneros Partners, and the local government and residents of the surrounding agricultural community. The project—on the site of a former mobile-home park—was developed under existing zoning regulations so as to avoid a costly and complicated rezoning process, necessitating innovative design strategies. The resort community—which features 86 guest cottages, ten suites, 24 for-sale homes, 17 fractional ownership units, and three restaurants—imposes a minimal impact on the environment with an on-site wastewater treatment plant, geothermal heating and cooling, and a rainwater recycling system.

### LOCATION

Rural Area

### SITE SIZE

27 acres/10.9 hectares

### LAND USES

Multiuse Resort, Agricultural Land, Fractional Interest Property, Community Retail Center

### KEYWORDS/SPECIAL FEATURES

- Sustainable Development
- Green Building



- Redevelopment

#### **WEB SITE**

[www.thecarnerosinn.com](http://www.thecarnerosinn.com)

#### **PROJECT ADDRESS**

4048 Sonoma Highway  
Napa, California



#### **DEVELOPER**

Carneros Partners  
San Francisco, California

#### **ARCHITECT/PLANNER**

William Rawn Associates, Architects, Inc.  
Boston, Massachusetts  
617-423-3470  
[www.rawnarch.com](http://www.rawnarch.com)

#### **LANDSCAPE ARCHITECT**

Olin Partnership  
Philadelphia, Pennsylvania  
215-440-0030  
[www.olinptr.com](http://www.olinptr.com)

#### **INTERIOR DESIGN**

Shopworks Design  
Napa, California  
707-258-1924  
[www.shopworksdesign.com](http://www.shopworksdesign.com)

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### **GENERAL DESCRIPTION**

The Carneros Inn is a 27-acre (10.9-ha) resort located in California's Napa Valley about 45 miles (72 km) northwest of San Francisco. Along with 86 guest cottages, ten suites, a spa, two pools, a small town center, and three restaurants, it includes 24 for-sale homes (which can be rented) and 17 fractional ownership units. The property is sensitively situated among the rolling vineyards, with undisturbed views of the Napa River and Mayacamas Mountains. The buildings borrow design from local architecture. Gravel paths connect the guest units, which overlook courtyards landscaped with indigenous plantings. The project was designed to have minimal environmental impact, so it uses geothermal heating and recycles stormwater for on-site irrigation. In addition, the property has a strong connection to the community, featuring works by local artists and photographs from longstanding area families.

The development is the area's first new resort to be built in 20 years. The county's stringent land use regulations discouraged large-scale development and prevented zoning changes on the site, but the developers used a creative strategy to turn a blighted area into a distinctive yet fitting resort community that draws local residents as well as tourists.

## **SITE**

The Carneros Inn is located six miles (9.6 km) southwest of downtown Napa and within short driving distance of the wineries that have made the area a leading tourist destination. The project is entered from the Sonoma–Napa Highway. A winding road takes visitors up a small hill to the reception area, which includes the Hilltop Restaurant, a spa, and a pool area offering clear views of the Mayacamas Mountains and neighboring farmland. The surrounding land is owned by area residents and is used for agricultural purposes. Split-rail fences denote property lines and keep the neighbors' horses from wandering onto the property (although guests enjoy feeding them). From the Hilltop Restaurant, the property steadily slopes down to the densely clustered guest cottages, the for-sale and fractional ownership units, and the Boon Fly Café, which can be accessed from either the resort or the Sonoma–Napa Highway.

To the west of the guest cottages, the Orchard stands as the resort's fractional ownership community, made up of 17 well-appointed, mid-sized homes. Next to the Orchard is the property's second pool, a 3,000-square-foot (279-sq-m) fitness center, and a cluster of commercial uses, including the resort's premier restaurant, FARM; meeting halls; a bocce court; a small food market; and a post office.

Though relatively close to a major roadway, the property is quiet because of the lack of surrounding development and the siting of the buildings. The commercial uses and key infrastructure buildings housing water and wastewater treatment are located next to the highway, which buffers the guest and residential units from the traffic noise while allowing for convenient access to the town center from outside the resort. The property functions as a self-contained village but is not isolated or exclusive. The location of the commercial uses at the entrance encourages patronage from area residents who do not live in the resort.

The site originally contained a trailer park, an RV storage lot, and a mix of small-scale commercial uses that faced the Sonoma–Napa Highway. The property was neglected and stood in sharp contrast to its striking natural surroundings. As the Carneros Inn, the site has been transformed, with brightly colored vernacular-influenced buildings subtly announcing its location along the highway.

## **DEVELOPMENT PROCESS**

A group of young real estate professionals—Keith Rogal, Richard Walsh, Caspar Mol, and Nicholas Monroe—conceived the vision for the project. They visited Napa and thought the underused site, with its pristine surroundings, would be an ideal place for an imaginative redevelopment. However, the site presented several challenges, the foremost being Napa's restrictive growth policies. When Rogal, Walsh, Mol, and Monroe pooled their resources and those of family and friends to put the property under contract in 1997, it had been 15 years since a luxury resort development had won approval in Napa County. The group then spent several years working with the community and overcoming various hurdles in the development process.

Napa's roots lie in agriculture, especially wine making. As American vintages became more popular during the 1970s and 1980s, tourists came to the Napa Valley to experience its wines, regional restaurants, and rural character. However, the tourism boom, resulting traffic congestion, and escalation in real estate values greatly concerned the vineyards' landowners, fearful that they would end up losers in a battle for property against real estate developers. Furthermore, the perceived gentrification of the area angered many residents, who successfully joined with agricultural land interests to tighten development regulations. Minimum lot sizes of 160 acres (65 ha) were established across most of the valley, and voters and elected officials rejected any new project that seemed to threaten their quality of life.

The Carneros Inn development team, however, envisioned a resort that would respect Napa's particular character as well as the natural environment and that would offer something to residents, not just tourists. Rogal launched a monumental community outreach campaign. He spoke of the development team's vision of an environmentally sensitive destination that would reflect the values of the community in its project program and design character, and he talked one on one with residents and business owners to shape those ideas. After years of community meetings, conversations, and compromises, the project gradually won political and popular approval.

The development team was faced with relocating the residents of the trailer park—an often controversial and expensive undertaking. Rogal and his colleagues put in the time to handle this issue one on one, directly with the tenants, on terms that were clear and uniform. As a result, most of the trailer park residents voluntarily terminated their tenancies, accepting the development team's offers to buy their units or to have them moved to another location. Most residents then relocated to other housing in the area. Remarkably, the process never led to contentious public discussion in the press or at community forums.

Another challenge—which turned out to be an advantage—was the site's zoning. The 27 acres (10.9 ha) were a jumble of parcels containing various commercial uses along with the trailer park. It would have been nearly impossible to rezone the site, as the county requires a majority vote by its citizens to overturn a zoning designation. Instead, the developers chose to use the existing zoning and densities, which, after some creative thinking, proved to work in their favor. The approved density that existed in the RV park allowed for the 86 guest cottages and 24 residential sites. The development team worked within the constraints of the RV and mobile-home park building codes to produce structures that conformed with those regulations but were designed from scratch to meet the standards of understated luxury accommodations. The remaining parcels, which had conventional commercial zoning, were used for the restaurants and town center.

The mobile-home park, with its existing density of six units per acre (14.8 units per ha), constituted a significant exception to the surrounding agricultural zoning of a 160-acre (65-ha) minimum for a single house. By creating factory-built homes to conform with the mobile-home code, the development team was able to build two dozen 2,400-square-foot (223-sq-m) single-family homes in the site's southeastern section. These dwellings were sold as market-rate units at an average price of \$1.8 million. They are used as second homes and year-round residences, with some placed by their owners into a rental pool for short-term guests.

The Napa Valley's water shortage issues prompted concerns regarding how the project would manage its water. The development team responded by building an on-site bioreactor wastewater treatment plant that can process up to 60,000 gallons (227,000 l) per day; actual demand is less than 30,000 gallons (113,500 l) per day. The plant recycles the resort's wastewater and uses it to irrigate the landscape, also storing it for fire protection. The treated wastewater is held in reservoirs during the winter and then reused in the summer for drip irrigation, which uses less water than traditional spray systems.

The tragedies of September 11, 2001, and the resulting national economic slowdown required that the project's debt financing be reassessed, and new appraisals and studies were prepared. The lender concluded, however, that the project's fundamentals were strong, and the construction loan was able to close, keeping the project on track. Construction started in 2002, and the first phase was completed the following year. The owners decided to pause after the project opening so that operations could become well established before embarking on the second phase, which included the town center and the fractional ownership units. That phase was completed in 2007.

## **PLANNING AND DESIGN**

From the beginning, the development team knew that it wanted to create a distinctive resort that would be inviting, environmentally sensitive, and respectful of its surroundings. Rogal, who oversaw much of the conception and design processes, wanted to develop a place that offered a genuine Napa experience. Other resorts in the area evoke historic European and French Provençal styles, but the Carneros Inn's design is rooted in the Napa Valley. Corrugated tin roofs, barns, and horse troughs, which serve as fountains, all reference the fact that the inn is surrounded by an agrarian community. Although the development is upscale, its rustic modern design was intended

to appeal to a different market segment than the other area resorts. Rogal wanted to attract seasoned travelers who appreciate place-specific authenticity and value understated design over a more typical branded hotel experience.

The development team chose Boston-based William Rawn Associates, an architecture firm that had worked with universities and would understand the “campus” feel of the resort’s vision. Zoning requirements forbade the developers to build cottages larger than the footprints of the former trailer homes and also barred foundations. The designers produced three principal floor plans for the 86 manufactured guest cottages, ensuring an efficient system for production and enhancing commonality for marketing purposes. The cottages are clustered in groups of ten, each surrounding a central courtyard and landscaped with orchard trees and native plantings. Each cottage, with an average interior square footage of 400 square feet (37 sq m), has a porch overlooking the courtyard as well as a private deck space with an outdoor shower. The cottage exteriors are faced with board and batten siding, painted in muted colors that blend with the landscaping. Guest cars are parked in small gravel lots at the entrance to each grouping, avoiding the usual sea of parking. A network of paths and wooden signs guides guests to the amenities.

As a reminder of the project’s roots in the community, the resort’s artwork is composed of local families’ framed snapshots. Each compound and street is also named after area residents, from all walks of life, who had spoken out on behalf of the project.

The for-sale units, which are physically separated from the guest units, each have approximately 2,400 square feet (223 sq m) of indoor space and over 1,400 square feet (130 sq m) of outdoor living space. With 24 units on less than four acres (1.6 ha), they were a far more dense development than the typical Napa residential neighborhood. Owing to the homes’ courtyard design, the residents gain a feeling of privacy and exclusivity without having to use any land beyond the footprint of the house, courtyard, and deck.

The homes offer two master suites, each with a master bathroom, a den with a private bath, furnished courtyards, and a second-story sundeck. They feature Brazilian cherrywood floors, stone kitchen counters, professional-grade appliances, wood-burning fireplaces, private outdoor showers, and living rooms with 16-foot (4.9-m) ceilings. Owners have the option of renting their cottages to the resort’s guests at prices ranging from \$1,600 to \$2,400 per night.

The 17 fractional units are marketed as a private residence club. Known as “the Orchard” (named for nearby apple orchards), these units are similar in design to the guest cottages and also make use of prefabricated construction. The two-bedroom houses contain about 1,250 square feet (116 sq m) of indoor living space and 500 square feet (46 sq m) of covered outdoor space. Each unit features indoor and outdoor fireplaces, an outdoor spa tub, and garden space. As of late 2008, fractional ownership pricing started just under \$300,000 for a one-tenth share. The owners have rights to 21 days at the property and access to all amenities. They pay annual dues of \$8,100 plus property taxes that currently average around 1 percent of the purchase price.

Rogal hired the interior design firm Shopworks to provide the interior fixtures and furnishings, which play up the buildings’ agricultural aesthetics. Shopworks made extensive use of natural materials such as heated slate floors and concrete-faced fireplaces. Furnishings include beds with tall linen-covered headboards, classic modern Le Corbusier chairs, and burnished steel tables. These design elements appear throughout the resort with slight variations. To ensure guest satisfaction, owners of the private residences who choose to place their units in the rental pool and the fractional unit participants are required to buy their homes fully furnished, including not only furniture but also all linens, china, stemware, and cookware. The designers’ choices were sufficiently appealing that a number of homebuyers who had no intention of renting their properties also elected to purchase the furnishings package.

The development team made sure that the check-in/reception area—where guests form their first impressions—was welcoming both in design and function. The hilltop reception area offers views of neighboring vineyards and, like the other common-space buildings, is a barnlike structure with high ceilings and exposed framing.

In addition to its water treatment facilities, the Carneros Inn features innovative energy-saving devices. A ground-source heat-pump system is used in every one of the hotel cottages, and four are utilized in each of the residences instead of traditional air-conditioning/heating systems. Water circulating through subterranean tubes is either cooled

in the summer or heated in the winter by the earth's temperature and then fed back into the homes. The resort's roofs are made of galvanized sheet metal, which reflects heat and reduces cooling loads. Unlike composite shingles, the material can be recycled when it has outlived its current use.

The Carneros Inn was designed to be a full-service destination resort community that would also provide a convenient and luxurious place for guests to stay while touring the Napa Valley wineries. Amenities that are available to both permanent residents and guests include:

- three full-service restaurants: the Boon Fly Café and FARM, which are open to the public, and the Hilltop Dining Room, which is open to guests only;
- the Hilltop Pool, an adults-only infinity-edged pool, and an all-ages pool;
- a spa with nine indoor and five outdoor treatment rooms and customized hydrotherapy baths;
- complimentary fitness classes offered on weekends: yoga, water aerobics, and morning walks or runs through nearby vineyards;
- a yoga studio;
- a 3,000-square-foot (279-sq-m) state-of-the-art cardiovascular fitness center; and
- an upscale general store/gourmet grocer.

## **MARKETING, MANAGEMENT, AND PERFORMANCE**

From the beginning, the Carneros Inn's development team knew it wanted to create a resort that would appeal to discerning travelers who appreciate rustic and modern design. Psychographics, rather than just demographics, have played a large part in both its market study and current marketing. Some visitors have arrived at the Carneros Inn expecting plush, overstuffed furnishings and found that the resort's minimalist, natural approach to design is not for them. In that way, the inn differentiates itself from nearby competing resorts such as Auberge du Soleil, which offers a "Mediterranean-style" design and attracts travelers who want a more traditional resort experience.

The inn relies mostly on word of mouth and has not had to pursue large-scale advertising campaigns. Approximately 30 percent of guests make a return visit. Visitors are mainly from California, but the inn is also popular with midwesterners, New Yorkers, and Texans and is known as a romantic getaway that appeals to couples yet is also popular with families. Over a quarter of its lodging business comes from groups such as corporate retreats and weddings. The for-sale housing sold out within the first six months of availability. The fractional units, as of late 2008, are almost sold out. Room rates run from \$355 to \$1,650 per night in the winter and from \$555 to \$2,700 per night during peak season.

The project's development team raised the initial development capital from a variety of private sources and investors and formed the Carneros Partners. As of November 2008, there are 30 equity holders and two institutional holders. In 2004, the resort's holding company, Carneros Holdings, LLC, appointed the Plumpjack Group of San Francisco as the management company. The Plumpjack Group, which owns several wineries, hotels, and restaurants, oversees the day-to-day management of the resort but is not directly involved with the fractional or for-sale housing units.

The development team's conviction and attention to detail have paid off. The Carneros Inn has received positive press coverage and several awards, including a 2007 American Institute of Architects Honor Award for Urban and Regional Design, a 2007 Charter Award from the Congress for the New Urbanism, and a 2008 American Institute of Architects Housing Award. It was recently listed as number 11 in the top 50 U.S. mainland resorts in a Condé Nast Traveler readers' poll.

## **EXPERIENCE GAINED**

Because this was the developers' first project, a learning curve was involved. The team members' diverse yet complementary backgrounds kept the project on track, however. Each one of the development partners had a strength (in design, finance, law, or land planning) that helped move the project along. Each member was also

committed to the vision and involved because he wanted to achieve something that not only aligned with his values, but also had never been done before.

Working closely with the community was essential for this project to proceed. The Carneros Inn was the first resort to be built in Napa in over 20 years, and the area's attitude toward developers was not friendly. Rogal, who is not from the area and therefore not a "local," had to communicate his vision while allaying fears of improper development. His diplomacy and goodwill were rewarded by the support of those who could have opposed him and the project. Rogal's outreach efforts and the success of the Carneros Inn have earned the trust of the community. This has aided in staff recruitment, benefited the property through word-of-mouth referral, and enabled him and his partners to pursue further development opportunities more easily.

Though presented with many challenges, the developers thought creatively and overcame seemingly insurmountable challenges. They were able to avoid potential setbacks, such as having to build their own wastewater treatment facility, by generating ideas that are now considered model solutions.

<b>PROJECT DATA</b>				
<b>LAND USE INFORMATION</b>				
Site size (acres/hectares): 27/10.9 Percentage complete (as of November 2008): 90				
<b>LAND USE PLAN</b>				
<b>Use</b>	<b>Acres/Hectares</b>			
Single-family residential	4/1.6			
Hotels	20/8.1			
Retail	1/0.4			
Town/village center	2/0.8			
Total	27/10.9			
<b>RESIDENTIAL INFORMATION</b>				
<b>Unit Type</b>	<b>Total Units</b>	<b>Density (per Acre/Hectare)</b>	<b>Unit Size (Square Feet/Square Meters)</b>	<b>Typical Sales Price</b>
Courtyard homes	24	6/14.8	2,500/232	\$1.8 million
<b>FRACTIONAL UNIT INFORMATION</b>				
<b>Unit Type</b>	<b>Number of Housing Units</b>	<b>Interval Type or Length</b>	<b>Unit Size (Square Feet/Square Meters)</b>	<b>Typical Sales Price</b>
Orchard cottages	17	1/10th	1,200-1,700/111-158	\$300,000
<b>HOTEL INFORMATION</b>				
<b>Rooms</b>	<b>Average Daily Room Rate</b>	<b>Average Occupancy</b>		
86	\$500	70%		
<b>RETAIL AND RESTAURANT INFORMATION*</b>				
<b>Tenant Type</b>	<b>Number of Facilities</b>	<b>Total Area (Square Feet/Square Meters)</b>		
Retail	2	3,500/325		
Restaurants	3	12,201/1,133		
Spa/recreation	1	9,955/925		
Total	6	177,973/16,534		

\*All facilities are hotel-owned.

Percentage of GLA occupied: 100

Average annual sales: Approximately \$720 per square foot (\$400–\$1,800)/approximately \$7,750 per square meter

	Phase I	Phase II	Total	Residence Club Ownership	
Land acquisition	\$3,450,000	\$1,420,000	\$4,870,000	\$680,000	\$830,000
Land development	\$4,950,000	\$750,000	\$5,700,000	\$500,000	\$1,310,000
Landscaping, irrigation	\$3,000,000	\$1,720,000	\$4,720,000	\$1,000,000	\$1,500,000
Site work	\$2,600,000	\$3,550,000	\$6,150,000	\$1,000,000	\$1,910,000
Direct construction costs	\$17,800,000	\$8,510,000	\$26,310,000	\$10,130,000	\$18,120,000
Off-site improvements		\$1,540,000	\$1,540,000		—
Utilities	\$1,300,000	\$5,360,000	\$6,660,000	\$1,380,000	\$600,000
Water/wastewater treatment plants	\$1,200,000	\$300,000	\$1,500,000	—	—
Soft costs (A/C/E, fees/permits, insurance)	\$1,700,000	\$4,100,000	\$5,800,000	\$650,000	\$730,000
Furniture, fixtures, and equipment	\$3,900,000	\$3,660,000	\$7,560,000	\$670,000	\$1,430,000
Development and preopening	\$3,400,000	\$420,000	\$3,820,000	\$150,000	\$440,000
Sales and marketing	\$400,000	—	\$400,000	\$9,000,000	\$1,450,000
Financing and closing costs	—	—	—	—	—
<b>Total Development Costs</b>	<b>\$43,700,000</b>	<b>\$31,330,000</b>	<b>\$75,000,000</b>	<b>\$25,160,000</b>	<b>\$28,320,000</b>

#### DEVELOPMENT SCHEDULE

Planning started: 1997

Site purchased: 1997

Construction started: 2002

Sales/leasing started: 2003

Inn opened: 2003

Phase I completed: 2004

Phase II completion: 2007

#### DRIVING DIRECTIONS

*From San Francisco International Airport:* Take US-101 North toward San Francisco for 11.3 miles (18.2 km). Travel on I-80 East for 32.4 miles (52.1 km) and take exit 33 toward Auto Mall Parkway. Keep left at the fork and follow signs for Napa/CA-37; merge onto CA-37 West. Take exit 19 toward Napa/State Highway 29 for 0.5 mile (0.8 km). Turn right at CA-29/Sonoma Boulevard; follow for 2.7 miles (4.3 km). Turn left at CA-12/CA-121 and destination will be on the right after 1.6 miles (2.6 km).

*Driving time:* 1.25 hours in nonpeak traffic.

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Photo by Mark Hundley

The Carneros Inn, located in Napa, California, is a 27-acre (10.9-ha) resort featuring 86 guest cottages, ten suites, 24 for-sale homes, and 17 fractional ownership units.



Photo by Mark Hundley

The first resort built in Napa County—an agricultural community wary of development—in 20 years, the Carneros Inn was the result of a decade-long planning and outreach initiative.



Photo by Mark Hundley

Erected on the site of a former mobile-home park, the Carneros Inn was developed under existing zoning designations to avoid a costly and controversial rezoning process and to allow for a higher-density project.



Napa Valley's water shortage issues prompted the developer, Carneros Partners, to construct an on-site bioreactor treatment plant to recycle wastewater and use drip irrigation for landscaping to reduce water consumption.



Photo by Art Gray

At the \$101 million resort, room rates range from \$355 to \$2,700 depending on the season and amenities include three full-service restaurants, a health spa, a yoga studio, a fitness center, and a gourmet grocer.

